Massachusetts Taxpayers Foundation

News Release

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MTF Analysis: Question 1 Would Cut Most State Programs by More Than 70 Percent

Passage of the ballot question to repeal the state's income tax would require spending cuts of more than 70 percent in almost all state programs, according to an analysis released today by the Massachusetts Taxpayers Foundation.

The report, "The Enormous Consequences of Question 1," concludes that after accounting for five legally mandated programs, the rest of state government would bear across-the-board cuts of 71.1 percent with the loss of $12.5 billion in state income tax revenue. The cuts would impact the 31 state and county prisons, the entire court system, the wide range of human services programs, transportation, state parks and environmental programs, support for the University of Massachusetts and state and community colleges, state employee pensions and health benefits, and the Department of Revenue and Registry of Motor Vehicles, as well as many other programs and services.

Impact of Eliminating the Income Tax
($ millions)

2008 Total Spending	$31,808
Legal Mandates	($12,483)
Balance	$19,325
Income Tax Loss	($12,493)
Federal Revenue Loss	($1,250)
Total Revenue Impact	($13,743)
Final Balance	$5,582
Across-the-Board Cuts of 71.1%	

Other key findings of the report:

- Except for that portion of Chapter 70 aid that is legally mandated, state aid to cities and towns would be cut by 71.1 percent.

- The large cuts in local aid would lead to higher property taxes which for many individuals would more than offset their income tax savings.

- High-income taxpayers would gain most of the benefits from repealing the income tax. The average savings for those earning more than $100,000 would be $16,295 (14 percent of taxpayers), compared to $850 for those earning less than $50,000 (65 percent of taxpayers). The $3,700 cited by proponents is an average, but the benefit is heavily skewed to the wealthy.

- All state capital spending on transportation, higher education, courts, parks, economic development and other areas would cease for the next seven years. This loss of $20 billion in capital investments, combined with the state's plummeting bond rating, would cause irreparable harm to the Massachusetts economy.

- If the state were to lay off all 68,000 state employees, the total savings would be $5.3 billion, less than half the $12.5 billion in foregone revenue.

- Proponents of Question 1 are simply wrong when they claim the state spends $47 billion. The correct total for fiscal 2008 is $31.8 billion including off-budget items. The $47 billion is inflated in a variety of ways including gross lottery receipts before deducting winnings.

The Massachusetts Taxpayers Foundation is a nationally recognized, nonprofit research organization working to promote the most effective use of tax dollars, improve the operations of state and local governments, and foster positive economic policies. Our credibility is based upon independent, objective and accurate analysis of state and local spending, taxes and the economy. Over the past decade the Foundation has won a dozen national awards for research on business costs, capital spending, state finances, MBTA restructuring, state government reform, and health care.

The full report is available at www.masstaxpayers.org